



CHEMONICS INTERNATIONAL INC.

GENERAL BUSINESS TRADE AND INVESTMENT (GBTI)
INDEFINITE QUANTITY CONTRACT

Contract No. PCE-I-00-98-00015-00

Quarterly Performance Report
July 1 – September 30, 2002

Submitted to:
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U.S. Agency for International Development
Washington. D.C.

Submitted by:
Chemonics International Inc.

in collaboration with

Arthur Anderson, Crimson Capital Corporation, Inc.,
International Business Initiatives, IGI Inc., International Law Institute, Innovation Associates, Inc., The
Kenan Institute, Prime International, Sigma One, Plexus Consulting Group, Taylor-DeJongh, Inc.

November 1, 2002

Chemonics Consortium
Quarterly Performance Monitoring Report
July - September 2002

General Business Trade and Investment
Indefinite Quantity Contract (IQC)
PCE-I-00-98-00015-00

I. Task Orders: Progress, Activities, Results

A. Support to Presidents' Council, TO #804

Start Date: February 6, 2001

Completion Date: December 31, 2002

Amount of Delivery Order: \$952,436.00

INTRODUCTION

During the period July through September 2002, the US-Egypt Presidents' Council was officially reorganized, with twenty-six new and returning US and Egyptian members appointed to the Council. (Thirteen members were appointed to each side; in September another US member was appointed.) The joint Council meeting with Secretary of Commerce Donald Evans and Minister of Foreign Trade Youssef Boutros Ghali, originally scheduled for June 25 and rescheduled for July 29, was again postponed until the first week in October. In August, an amendment was made to the Council's terms of reference changing its name to the US-Egypt Business Council.

ADMINISTRATION

During the period under review, the secretariat performed a number of activities related to the Council's reorganization. Much of this activity was administrative, such as initiating contact with the US members to welcome them to the Council, gathering contact details and revising contact lists, and updating the website with the names of the new US and Egyptian members.

- In July, some time was spent working with the Department of Commerce on the agenda for the joint Council meeting on July 29th (which was ultimately cancelled) and keeping the US members updated on the status of the meeting.
- At the end of July, Heidi Dodd, the US-based Communications/PR specialist, organized a series of meetings for new US Council member Rae Ann Dougherty. Ms. Dougherty wanted to familiarize herself with the Council's activities during a visit to Washington, DC. Ms. Dodd accompanied her on meetings with representatives

from the Department of Commerce, State and USTR and also with Mike Gadbow, former US Council co-chair.

- In August we worked with the Department of Commerce on the selection of a US co-chairman. Fariba Khorasanizadeh, the Cairo-based Communications Specialist/ICT Advisor, completed an update of the Information and Communications Technology Dashboard and established contact with Galal El Zorba, newly named Egyptian co-chairman of the Council. Ms. Fariba Khorasanizadeh also established contact with staff at the US Embassy in Cairo.
- In September, we issued a newsletter to the US members with information on the upcoming TIFA meeting and joint Council meeting on October 4th. The newsletter also included a brief description of the role of the secretariat and an overview of the Council's terms of reference. Heidi Dodd contacted Steve Farris, US Council co-chair, to introduce herself and apprise him of the support available through the secretariat.
- In September we organized a conference call for the US members to "meet"--albeit by telephone--and discuss the upcoming joint Council meeting. Representatives from the Department of Commerce as well as the entire secretariat staff participated in this call.
- In September Lindsey Wellons, the Trade and Investment Advisor, and Ms. Dodd created a questionnaire for the US Council members to rank their priority issues. The rankings were compiled and distributed to the US members a week prior to the October 4th joint Council meeting.
- In September we worked closely with the Department of Commerce and State on the agendas related to the TIFA and joint Council meetings.
- The Trade and Investment and ICT dashboards were updated and distributed in September.

FINANCIAL DATA FOR DELIVERY ORDER

The figures below cover the task order through September 2002:

- Labor: \$658,977
- Other Direct Costs: \$98,799 (including G&A)
- Total: \$757,776

B. Macedonian Business Resource Center, TO #03

Start Date: January 1, 2001

Completion Date: December 31, 2002

Amount of Delivery Order: \$1,400,000.00

INTRODUCTION

MBRC Transition Activities

The MBRC Transition Activities have progressed considerably and are nearing completion. As previously reported, the MBRC has established and legally registered two spin-off entities for its long-term self-sustainability. MBRC Consulting (for-profit), a commercial consulting and advisory firm, provides Western best-practice consulting services on a fee-for-service basis (time and expenses). A comprehensive draft business plan was completed and submitted to USAID, for review, comments, criticism and recommendations. The MBRC Consulting business plan was developed as the “living, working strategic and operational plan” for the new company. USAID’s input will be invaluable for the finalization of the plan prior to MBRC Consulting formally and publicly launching its operations.

The MBRC also has created MBRC–Skopje, which is a not-for-profit association designed to carry out those current MBRC activities and other activities which are best done under a non-profit umbrella. The program areas identified for MBRC–Skopje include: trade & investment promotion, policy advocacy, and human resource development. The revised draft business plan for MBRC–Skopje was also completed by the end of August and submitted to USAID for review. As with MBRC Consulting, we will undertake to incorporate the feedback from USAID and iteratively revise and improve the plan in preparation for the official launch of MBRC–Skopje. The MBRC Chief of Party is concurrently working with the MBRC on a updated review and revision of the business plan.

Both plans include financial projections for three years of operations. The MBRC Chief of Party and Crimson Capital provide support and input on an ongoing basis to the development of MBRC Consulting and MBRC–Skopje as independently sustainable legacy organizations to the MBRC.

Business-To-Business Meetings

The MBRC, in cooperation with Kosovo Business Support Program (KBS) and the Albanian organizations AATDA, AMCHAM and IFDC, organized a B2B meeting on July 15, 2002 in Tirana, Albania between Macedonian, Kosovo, Albanian, Bulgarian and Montenegrin companies.

MBRC brought 25 companies. Most of the companies visited Albania for the first time. This was a unique chance for the Macedonian companies to meet their Albanian colleagues and to discuss possible future cooperation. Besides the business discussions the businessmen had a chance to learn something more about the Albanian culture. After this event most of the clients stated that their view of Albania and its people changed in a positive way.

The first secretary of the Macedonian Embassy in Tirana, Albania visited Macedonian B2B participants and shared information with them regarding the Albanian business environment. He stated that the MBRC is a pioneer in facilitating trade and investment activities among the two countries, Macedonia and Albania.

Media representatives from most of the TV, radio stations and newspapers in Albania reported the event as an important step for the improvement of the business communication in the region.

After the B2B event the organizers met in order to evaluate the event and identify the forms of future cooperation. It was agreed that the mutual activities of MBRC, KBS, and FLAG would be operational under the Southeast Europe Trade and Investment Initiative. The participants reached a consensus to organize the next regional event in Macedonia in the second half of September 2002.

The MBRC in cooperation with KBS-Kosovo, AATDA-Albania and FLAG-Bulgaria organized a B2B meeting on September 12, 2002 in Skopje, Macedonia between Macedonian, Kosovo, Albanian, Bulgarian, Turkish, Montenegrin, Croatian and Slovenian companies.

This event was a follow up in the realization of the action plan done on the B2B meeting between the MBRC, KBS, FLAG and AATDA, which took place in Tirana, Albania on July 15, 2002.

More than 300 companies participated at the B2B event. All the companies welcomed the initiative and asked for similar meetings to be organized in the future. Their suggestion was to involve Serbia and Romania as well.

A roundtable and a meeting followed the event between the development organizations in the region. The main topic of the roundtable was economic integration, regional cooperation and developing a free trade region. The roundtable participants were a core group of businessmen from the region, economic officers from the embassies of the USA, Bulgaria, Yugoslavia and Greece, and representatives from MBRC, KBS, FLAG and AATDA.

TRADE AND INVESTMENT

In this period, the MBRC successfully completed 40 trade deals with a total value of USD 1,715,865 and five major investment projects involving companies from the manufacturing industries (metal, beverages, and packaging) and service industries (trade and hotel). The total

value of these investments was USD 5,370,951.

Major Trade Accomplishments

Protect M, Skopje - Nera Impeks, Kosovo

Protect M from Skopje is a private company established in 1991 by Mr. Krliu, who is the company's general manager. The main activity of the company is trade with food products, hygienic items, and construction materials. Besides trading, the company manages one of the largest mills for flour production in Albania. In 2001 the general manager established a private company for production of polyethylene and polypropylene packaging.

Nera Impeks from Ferizaj, Kosovo is one of the biggest snack producers in Kosovo. Mr. Nexhat Hasani, the general manager of Nera Impeks, approached the MBRC in January 2002 seeking assistance in locating a company from Macedonia that can meet his company's needs for polyethylene bags.

Among the companies recommended by the MBRC, Mr. Nexhat Hasani decided to sign a contract with Protect M from Skopje because it had the most favorable price.

The second deal facilitated by the MBRC was signed between the representatives of both companies for delivery of polyethylene bags in the total amount of USD 210,000.

BOMING, Skopje - Kasa Inzenering, Skopje

Kasa Inzenering was established in January 2002. Its main activity is aluminum constructions. The MBRC was engaged in finding serious subcontractors for production of aluminum constructions and thermo-insulated glass.

A total value of the deal was USD 35,000 for purchasing 160 windows and 30 doors. In the future Kasa Inzenering plans to increase the established business relationship with BOMING.

Metalo Promet, Skopje - Unitrade, Kosovo

Based on Unitrade request, the MBRC assisted in locating and contacting several metals producing companies in Macedonia. Metalo Promet offered the best price and delivery time, which resulted with signing a year contract with Unitrade. In this reporting period, the MBRC facilitated deal was increased by USD 350,000, to a total of USD 2,100,000.

Agromak LMS – Akvila, Bugarija

Agromak LMS was established in 1992 as a transport and forwarding company. In addition, the company set up a Trade department, which works with construction materials and wood.

Offering their own transport and forwarding services, Agromak's prices became more competitive for the Macedonian market. The company also exports Macedonian products to Bulgaria, Serbia, and Albania. In the last two years Agromak LMS has signed several agreements with the regional Humanitarian organizations. Mostly, the agreements were for supplying different type of construction materials including installation services. In all its work the company was in close cooperation with the MBRC for assistance with the humanitarian organizations and locating companies worldwide.

The company has worked with a lot of Macedonian producers of construction materials that were introduced by the MBRC. In the last several months, during the reconstruction period of ruined villages in the region of Kumanovo and Tetovo, the needs of construction materials have increased in the Macedonian market. For the purpose of completion of contracts that Agromak LMS has signed with some humanitarian organizations, the company asked MBRC for help in establishing contact with traders with construction materials from the surrounding countries. MBRC helped Agromak LMS for contact with the company Akvila from Bulgaria. Akvila is an official forwarding agent on the Balkans for several Romanian and Ukrainian metal producers.

Akvila has offered the most suitable price and trading conditions corresponding to the list of different construction materials that Agromak LMS required. The agreement was signed between Agromak LMS and Akvila for the total amount of USD 72,900.

Both companies expressed gratitude for the assistance given by MBRC and they showed interest to continue their cooperation in the future. They have already addressed the MBRC looking for new contacts, which the MBRC will provide through its extensive resource database and network of contacts.

MZT Oprema, Skopje –Nera Impex, Kosovo

MZT-Oprema, located in Skopje, is a joint-stock company which specializes in various machines.

The primary activity of the company is production of equipment for making confectionery machines. Having in mind that the MBRC has been specialized in the regional markets, the MZT representatives approached the MBRC in order to access the Kosovo market. A plan on how to approach the Kosovo market was prepared by the MBRC trade specialist. The MZT staff was first advised of the companies that could be their potential clients, the next step was arranging one-on-one meetings with these potential clients, the third step was to invite MZT to a regional B2B event that took place in Skopje. The MZT staff met with Mr. Nexhat Hasani, the owner of Nera Impex, in Skopje at the B2B event in Skopje and they agreed that for the needs of Nera Impex and their plan to introduce in the Kosovo market the new Nera cream, a special chocolate cream machine should be produced by MZT Oprema.

Shortly after the B2B event, MZT in coordination with the MBRC visited the Nera production

plant in Kosovo, and on this meeting an agreement was reached in order to produce two chocolate cream machines, according to the specifications supplied by Nera Impex. Due to the fact that the cooperation between MBRC and MZT resulted in a trade deal, the interest of MZT to broaden their cooperation with the MBRC has increased in accessing other potential markets in the region. The total value of the deal was USD 80 000.

Total trade in the period: USD 1,715,865

Major Investment Accomplishments

Screen-Net

Screen-Net from Skopje is a start-up company established in April 2001. It is a privately owned company with limited liability, registered to provide telecommunications and marketing services.

Screen-Net is a small sized company. One of the crucial determinants of the potential for the company's success is the people involved in managing the project and the company. The general manager and one of the founders of the company is Ms. Teodora David from Toronto, Canada. She is an experienced investor with over fifteen years of relevant experience in companies throughout the world.

Screen Net approached MBRC looking for assistance in preparing an investment proposal to apply for a bank loan for purchasing equipment, and the project is going forward. The total value of the investment is USD 80,000. This amount includes funds for covering the equipment, construction, and office equipment costs and working capital requirements.

Screen-Net's investment project involves establishing LCD display booths for advertising purposes. Based on the analysis of the market for outdoor advertising, they have developed a technical solution for a new service: Outdoor Advertising LCD Rear Projection Screen.

Based on this new project, the company will hire 7 employees (5 male and 2 female).

Makmineral

MAK-MINERAL is located near the city of Bitola in Western Macedonia. Its core activity is the production and distribution of sparkling mineral water. It was established in 1996 and is 100% privately owned. In 1998 the company was re-registered in accordance with the Law on trade companies.

The primary aim is to start with production of sparkling mineral water, taking into consideration the potential of the mineral water resources in Bitola's region and the increasing demand of clean and bottled mineral water on the global market. Since its establishment, the company was conducting market research and doing preparatory groundwork.

The company got the land concession on 6,950m² in Kremenica, village near Bitola. The global problem for supplying the market with clean water and available natural resources of mineral water in the region were the main factors that initiated the idea. In addition, the company is doing further tests, for additional mineral springs on an area of 1km². The existing spring is 150meters deep with a capacity of 12L/sec. The production process will be performed in existing facility of 600m².

Makmineral approached the MBRC upon Pelister's (old MBRC client) recommendation. They were interested in assistance for developing their investment proposal.

Based on the information provided by the company, MBRC together with the company management prepared the investment proposal to be presented before potential investors.

They have been focused on two sources of financing: Private investor - from USD, and Italian credit line - through Komercijalna Banka.

Intensive activities have been undertaken toward completing the project. Namely, the company contacted potential suppliers of equipment for bottling the mineral water. An Italian producer was selected. Domestic suppliers for bottles and labels were contacted as well, and the prices and quantities are agreed.

The Ministry of Health has completed the necessary tests regarding the water and its contents and approved the production.

MAK-MINERAL's mission is to produce a high quality product that meets hygienic and ecological standards, which will be processed with modern equipment. Namely, the equipment (compared with the previous generation machines) washes the bottles before filling and refines (disinfects) the water.

MIS-KOM

The company MIS-KOM is located in Struga, a city in the southwest of Macedonia. The company was established in 1993. The main activity of the company is production of cardboard boxes. The company is registered as a company for professional training and employment of impaired people. The total number of employees is 39, of which 40% are impaired.

The raw materials used by MIS-KOM, corrugated cardboard sheets, are imported from Bulgaria and Greece and some purchased from Komuna in Skopje. MIS-KOM's clients are companies in the food, textile, wood, metal and other industries in Macedonia. The main market is the local market. Lately the company has been developing export markets and has made deals with several customers in Albania.

The MBRC has been assisting MIS-KOM since 1997. During this period, the MBRC has assisted the company in several investment projects in the total amount of over USD 1.5 million.

Following the company's vision and the company business plan, which was prepared with the assistance of the MBRC, and in accordance to MIS-KOM's customers' needs, the management decided to purchase an additional machine (slotter - printer with four colors).

For the purchase of the equipment, the company management, with assistance from the MBRC, applied for a bank loan. The total value of the equipment was USD 75,000. This investment enabled the company to provide better quality cardboard boxes with fine print to its customers.

The investments carried out in the last two years have contributed to the increase of the company's sales as well as to the number of employees. Currently the company has 39 workers, 9 more compared with the previously reported number.

Orka Tekstil

Orka Tekstil is part of Orka Holding. Orka was established in 1990 and as a family business grew into a holding company. Orka Tekstil was established in 1999. Its main activity is production of garments on a CMT basis for prestigious international clients. This activity accounts for 70% of the company's total production. The company also has its own classic production, which amounts to the other 30% of the total production.

Orka Tekstil approached the MBRC asking for help with its new investment. The MBRC prepared an investment proposal for Orka Tekstil. The company used the proposal to apply for a loan from the MBPR credit line that would be serviced through Investbanka, and to base its own internal investments on.

The company's total investment amounted to USD 4,513,101. It applied for a credit in the amount of USD 392,000, which the company would use to purchase production equipment. Of the total investment, 75% was construction works, 15% equipment and 10% working capital. The MBRC sees an opportunity for further investment-related activities with Orka Tekstil. Through this investment the company would be able to secure 355 jobs in the course of the next five years.

Kimiko

Kimiko, Struga is a manufacturer of cotton-synthetic knitted fabrics and children's and women's apparel. The company was established in 1990 with 20 employees and since then it has had continuous growth in operating capacity and in sales. By the end of 2001, Kimiko Ltd. had 640 employees and sales of USD 20 million.

Kimiko approached MBRC looking for assistance in preparing an investment proposal to apply for a bank loan for purchasing equipment (jets) for dyeing of fabrics. The total amount

requested was USD 400,000.

As a result of Kimico's profitable operation and clearly developed vision and objectives elaborated in the Investment Proposal prepared with the MBRC assistance, Komercijalna Banka decided to approve the loan. The amount approved was USD 332,850. Kimico has benefited immensely over the last couple of years from MBRC assistance.

Total investments in the period: USD 5,370,951

Agribusiness Investment and Trade

Pishev - AJC International – USA

AJC International is a large meat exporter from the US. The main headquarter office of the company is located in Atlanta, and it has several branch offices in South America, Europe and Asia. The company is exporting worldwide frozen meat, fish and poultry.

AJC International contacted the MBRC to ask for assistance in locating potential customers for frozen meat, poultry and fish products. The MBRC contacted several Macedonian companies that showed an interest. Also, during the visit to Macedonia, the MBRC arranged meetings between AJC International and several Macedonian companies. The first contract was signed with the company Pishev for delivering poultry.

The total value of the deal is USD 401,800.

There is a good opportunity that the cooperation between AJC International and Pishev will continue in the future.

DEVELOPMENT ACTIVITIES

The GTN Southeast Europe Conference held in Zagreb, Croatia, on September 9-11, 2002, brought together GTN representatives from Croatia, Albania, Macedonia, Montenegro, Romania, Bulgaria, Bosnia and Hercegovina and Hungary.

The development and achievements of GTN encouraged USAID representatives from Washington and SEE countries to take an active part at the conference. The accent was also put on regional sources of financing and presentation of Agencies and Foundations active in the regions.

The first day of the conference was planned for presentation of GTN Structure Worldwide and Global Program Development. An accent was given to GTN Africa achievements. GTN representatives from SEE countries presented GTN- SEE best prospects of the previous year. The importance of establishing Industrial Cluster for the regional economic growth and GTN

impact, support and involvement in networking and Clusters development were pointed out in the presentation prepared by Amcham/GTN Hungary.

The second part of the first day of the conference was a working section for GTN representatives from SEE countries. The representatives shared experiences and achievements from using GTN. Their conclusion was that this would contribute into more efficient and successful work. The importance of USAID's trade objectives for the economic growth as well as the role of GTN support for the economic growth within the region and worldwide were stated at the second day of the conference.

The USAID representatives from SEE countries presented their vision and programs regarding Economic development of the region. The possibilities for regional economic development were also confirmed by the presentations made by the investment institutions and organizations such as: SEAF Trans Balkan Fund; USAID Development Credit Agency; USAID's American Enterprises Funds in Southeast Europe. The presentation of two US companies and two industrial associations pointed out the prospects that GTN give to its active members (clients).

The last (third day) of the conference was planned for GTN presentation to several Croatian companies. The purpose of regional requests (RFQs) presentation from SEE GTN representatives was to incite interest and offer the options of business linkages to Croatian companies.

The data presented at the GTN conference showed that both the number of trade and investment deals and dollar values of the deals generated by the one office of the MBRC's Trade & Investment Department (including both GTN and other trade activities) exceeded the total of trade and investment generated by all of the offices (over 20) of the worldwide GTN network. This demonstrates the success of the MBRC approach to generating tangible trade and investment transactions.

The Third Annual Seminar on Developing Commercial Markets for BDS, was held on September 9-13, 2002, Turin, Italy.

The conference was hosted by the International Labor Organization. The purpose of the seminar was to provide information on developing commercial markets for business development services. The speakers were from various countries sharing the experience in researching BDS market, BDS in transition markets representing the perspectives and experiences of different agencies.

The Conference was opened with presentation of the International Labor Organization (ILO) activities, the host of the 3rd Annual Seminar on Developing Commercial Markets for Business Development Services (BDS). Afterwards the Seminar continued during the 5 days with sharing the ideas and experience of donors, researchers and practitioners.

As one of the ILO's new InFocus Programmes, Small Enterprise Development (SEED) builds on the ILO's thirty years of experience in supporting small enterprise development. SEED's

mission is to strengthen understanding of how development of this economic sector can better serve employment goals. Most important, this knowledge is being put to work through policy guidance, technical assistance and international advocacy. ILO concerns and values drive our work to improve job quality in small enterprises, increase economic opportunities for women, promote Association building of employers and workers in the sector and upgrade employment for workers in the informal economy.

For three decades the governments, development practitioners and researchers have recognized the importance of small business development in increasing employment and income among poor and low-income people. The success of micro-finance programs and institutions has demonstrated that services tailored to meet the needs of very small business can be financial viable and effective in reducing poverty.

The Seminar gathered in one place the BDS practitioners throughout the world. All of them were engaged in designing and implementing projects to support small enterprise development and were keen to share the new ideas and approaches that may increase effectiveness.

The MBRC representative distributed publications to the participants. The materials included: the guide *Investing in the Republic of Macedonia*, the booklet *Sources of Financing in the Republic of Macedonia*, the *Macedonia Land of Wine*, the *Textile Guide*, the *Fruit and Vegetable Guide*, the IT Guide, and the Leather Guide

Potential opportunities identified during the Conference:

- The Jobs Program Coordinator Ms. Elena Panova was interested in establishing cooperation in joint development of export strategies of textiles, crafts and agribusiness in Macedonia and Bulgaria.
- Mr. Kamran Abullayev the Program Officer of Mercy Corps in Azerbaijan, showed an interest to share the experience in micro-financing in Macedonia.
- Jim Tanburn, Senior Specialist in ILO who was interested in the MBRC sustainability program and the opportunity to share the experience on some future ILO's Seminar on BDS.

The MBRC once again played an important role in the Economic Recovery Working Group, which is an initiative by Mercy Corps in order to coordinate the foreign donor support since the Donors Conference for Macedonia, which took place on March 12, 2002 in Brussels. The Chairman, Mr. Jason Scarpone, welcomed Mr. Sasko Staninov, Director of the Agency for Development and Investments (ADI), who gave a presentation on the work of the Agency and outlined the nature of its activities and nature of proposals.

In 2000, the Macedonian Government created the Agency for Development and Investments (ADI), which is an independent body from the state public administration. However, the Ministry of Finance is involved in the financial guarantees in some of the soft loan credit lines.

The Agency for Development and Investments advises on many grants from foreign governments, and the projects are implemented through Macedonian banks. These types of credit lines mean that the agency signs contracts with the governments and then commercial banks provide the loans. The Agency for Development and Investments has only 37 employees, working in 7 divisions (promotion and investment, economy, financing and credit supply, general affairs, construction marketing, agrarian and legal), out of the planned 123 due to cuts in the budget. Mr. Staninov gave examples of projects that are supported by the ADI, which cover the areas of economy, promotion, financing and crediting, agriculture and construction. The agency has received around 4,000 applications to date. Mr. Staninov mentioned a few advantages foreigners would benefit from if they invest in Macedonia, which are among others, its hospitable FDI environment and its good stable political and economic climate.

The coordination meeting was an opportunity for the MBRC representative to come in touch with Mr. Sasko Staninov, the director of ADI and to distribute the MBRC general brochure to the targeted parties and keep the foreign organizations updated with the development of the MBRC services.

The second Economic Recovery/Small Business Sectors Co-ordination Meeting in this quarter was held on September 12, 2002

The Chairman, Mr. Jason Scarpone, welcomed Professor Bobek Suklev, Dean of the Faculty of Economics, in Skopje who spoke from an academic viewpoint about the nature of Investment. During his presentation, the following points were stressed:

Mr. Suklev stressed the importance of foreign direct investment for development. In Macedonia, it was reiterated that development cannot take place without Foreign Direct Investment, as FDI is seen as the only way to accelerate the economy. The lesser-developed regions in Macedonia would benefit from FDI and hence develop. He argued that Macedonia would benefit from giving concessions to investors. Furthermore, he stressed the importance of reinforcing the rule of law and expressed his availability for cooperation with, and give support, to international agencies. To stimulate the economy in Macedonia, FDI should be attracted in infrastructure, as it constitutes the key channel for development of the country (e.g. highways for tourism). The need for good coordination with the agencies dealing with marketing was also mentioned. The four most profitable sectors in Macedonia's economy were mentioned as being: Production of tobacco leaves; Production of wine; Sheep breeding; Textile industry.

The coordination meeting was an opportunity for the MBRC representative to meet Mr. Bobek Suklev, the director of the Faculty and to distribute the MBRC general brochure to the targeted parties and keep the foreign organizations updated with the development of the MBRC activities.

EVENTS

The MBRC representative was invited to be a part of an Advisory group at a meeting at Community Self Help Initiative. At the meeting the group discussed financing associations that have profit oriented projects, and other projects such as dairy facilities and fish pond revival.

The MBRC representatives are again collaborating with the US Embassy on the upcoming fair events. The Agribusiness Show on October 1-5th and Tehnoma – Electronics Construction and Metal Products Show on October 22-27th are US Embassy initiatives to promote its trade and investment activities with the Republic of Macedonia through its US Embassy/AmCham Catalog Show. Mr. Victor Myev, the Economic Officer at the U.S. Embassy in Skopje, is in contact with the MBRC Development staff and joint activities are expected.

The Economic Recovery/Small Business Sectoral Coordination Meeting was held on August 20, 2002.

MEDIA COVERAGE

The MBRC in cooperation with Kosovo Business Support (KBS) and the Albanian organizations AATDA, AMCHAM and IFDC organized a B2B meeting on July 15, 2002 in Tirana, Albania between Macedonian, Kosovo, Albanian, Bulgarian and Montenegrin companies. Media representatives from most of the TV, radio stations and newspaper in Albania reported the event as an important step towards improving the business communication and co-operation in the region. The first secretary of Macedonian Embassy in Tirana stated that the MBRC was a pioneer in facilitating trade and investment activities in the region.

The MBRC Development specialist assisted the journalists from Kapital in their requirement for business contacts. Their magazine publishes Macedonian businesses success stories in every issue. MBRC clients with businesses worth writing about were pointed to the journalist.

Also an info letter was sent to all the journalists about the upcoming B2B event and update with the development of the MBRC services.

The MBRC Development specialist assisted the journalists from Nova Makedonija, Utrinski Vesnik, Vecer, MIA, Fakti, Makedonsko Radio, Radio Makedonija, Makedonsko Radio Albanski and Global to get acquainted with the latest development at the MBRC. Blagoja Milosevski gave a thorough interview of the achievements and future perspectives.

An arrangement was made with the Vest journalist, Gorast Kaleov for repetitive publication on the MBRC activities on every Tuesday's Business Barometer where the SEETII activities and B2B's will be published.

TRAINING PROGRAM ACTIVITIES

In this reporting period one training program was developed. This program contains a series of

seminars that will be available for SEAF, Macedonia investees.

The project proposal has been submitted to the client. The implementation of the training programs is planned for the period November 2002 – year 2003.

Seminars and Workshops

In the period of July – September 2002:

1	seminars were delivered at companies in Skopje
/	seminars were delivered at companies in locations outside of Skopje
1	total seminars were delivered in the period
13	participants total

EMPLOYMENT IMPACT

In the reporting period 9 new full time employees were engaged by the client company as a result of the completed investment deal, and 4 new part-time employees were engaged by the client company as a result of the completed trade deal

TASK ORDER PERIOD TO DATE

Total value of the completed trade deals is	USD 30,919,244
Total value of the completed investment deals is	USD 17,019,231

Total number of seminars:	32
held in Skopje	25
outside of Skopje	7
Total number of participants:	812

Total effect on employment

Total Full-time:	305
Total Part-time:	63
Total Male:	198
Total Female:	170

TOTAL TRADE & INVESTMENT FOR THE MBRC

Total value of the completed trade deals is	USD 52,396,978
Total value of the completed investment deals is	USD 26,484,124
	USD 78,881,102

C. Activity Management Services in Agadir (Morocco), TO #809

Start Date: January 15, 2001

Completion Date: September 30, 2002

Amount of Delivery Order: \$1,656,868.00

INTRODUCTION

The objective of the Task Order is to strengthen the institutional effectiveness of two key industry associations (Association Marocaine des Producteurs et Exportateurs de Fruits et Légumes (APEFEL) and Groupement Regional d'Interet Touristique (GRIT)) of the Souss-Massa-Draa and to develop Total Quality Management at the Commercial Court of Agadir. The two key associations are to be used as intermediaries to deliver business support services to small and medium enterprises in the region. The overall goal of the activity is to improve the competitiveness of Moroccan products in world markets by raising professional standards and decreasing costs for all of the associations' members.

ADMINISTRATION

An contract amendment was signed in July which extended the activity until September 30th, 2002, reduced the ceiling \$1,656,868, and obligated the remaining available funds. Once the extension was completed, we were able to sign contracts with suppliers and subcontractors to implement the remaining activities. The extension provided time to complete the professional training of judges to be completed and made it possible to complete the installation of an archive management system at the court.

Naoufel Benbrahim, the project's Deputy Field Coordinator, did not extend beyond his original contract end date of July 12. Administrative Manager Asmaa Oubou stayed on to the end of the contract. On August 1st, the local team of the Chemonics/USAID WRM project moved into our office and a cost-share arrangement for August and September was put in place.

Our consultant on Performance Indicators, Omar Anbarre, gathered data from the two associations and sampled a number of court files to assess the activity's impact, according to USAID's PMP and agreed-upon performance indicators.

PROFESSIONAL ASSOCIATIONS

Work with the GRIT and APEFEL progressed very well. Both associations completed their entire training program in July. This was mostly of a few hours of training on software such as

Power Point. Both associations were also heavily involved in the development of their web sites, the last association-related activities being implemented through Chemonics.

APEFEL

APEFEL devoted its time in July and September to its collaboration with LNET to develop its web site. While GRIT's web site targets potential visitors, APEFEL's web site will mostly be used by association and industry members. Therefore, the focus has been on the development and provision of technical and market information. The association requested that two databases on pesticides and fertilizers be added to the site and its architecture was modified, since the original design called for a static web site. Given APEFEL's lengthy decision making process, which consists in seeking the participation of the largest possible number of Bureau members, the development of this rather small Website took longer than expected.

APEFEL met with Mission Director Jim Bednar and Economic Growth Team Leader Richard Rousseau on September 4 to review the MOU signed with USAID at the beginning of Agadir Activity Management Services. They look forward to possible collaboration with USAID in the anticipated regional investment center project and expressed interest in collaborating with USAID in the preparatory work for the negotiation of the Morocco-USA Free Trade Agreement.

GRIT

GRIT work on the web site continued but the sub-contractor was slowed down by unexpected problems, including unanticipated difficulties obtaining images for the site. A tourism portal requires a large number of pictures and it proved difficult to find appropriate images for the site. In the future GRIT will likely have to directly negotiate with photographers for the rights to reproduce images.

As may be recalled, ARGAZE developed a database for tourism statistics to be installed at both GRIT and the Regional Delegation of Tourism in order to provide for more reliable and timely statistical information to the Ministry of Tourism. Unfortunately, Mr. Moudoud, Regional Delegate of Tourism, has been seriously ill the past 3 months, which delayed the provision of Agadir hotel for 2001 and for the first months of 2002. We hope that when Mr. Moudoud resumes his position that GRIT will be able to access the missing information.

Lastly, GRIT collaborated with the Wilaya for the organization of the Taghazout promotional event. The day before the festivities began, GRIT facilitated a full day workshop with ONMT international delegates and participants from the Ministry of Tourism and Royal Air Maroc to begin coordination of promotional actions for the 2002-2003 season..The official agreement between investors in Taghazout and the region was signed and the 6 phases of development (over 10 years) were reviewed. The project is very ambitious and could successfully contribute to regional employment and development, if carefully managed and well promoted A copy of

the Agadir and backcountry promotional CD-ROM GRIT prepared was given to all participants, including approximately 75 foreign travel industry journalists.

THE COMMERCIAL COURT OF AGADIR

The President and chief clerks took only one week of their annual leave in order to be available for the project's last activities implemented this summer. In July, Mr. Kawkab, chief clerk at the Commercial Court of appeal of Casablanca, assisted by Mr. Amerguy, judge in charge of the registry of Commerce in Agadir, and Mr. S'bai, chief clerk, gave 24 hours of professional training to all the court clerks, as requested by the Ministry of Justice and the President of the Agadir Commercial Court. . The training took place in the evenings and on weekends. We prepared a report on the training for Mr. Zaoug, Director of Human Resources at the Ministry of Justice in Rabat, and met with him to discuss the training. Following Mr. Kawkab's recommendation we acquired five copies of various procedural guides for the court clerks that were previously unavailable.

On July 16th, subcontractor SYGEDOC began the needs assessment of the Commercial Court's archives and development of the archive management system, with the labor-intensive inventorying of all court documents. Maroc Bureau built the filing equipment for the archives, which are currently being assembled in Agadir. Cabinet Maria Bahnini completed her last module of legal training and the course evaluation.

FINANCIAL INFORMATION

(through the September invoicing period)

Contract ceiling: \$1,656,868

Actual expenditures: \$1,491,941

LOE available: 114 of 1,687

D. Ukraine Land Titling Initiative (ULTI), TO #811

Start Date: June 22, 2001

Completion Date: September 20, 2003

Amount of Delivery Order: \$14,300,000.00

The Ukraine Land Titling Initiative project team is working on the following issues:

AGRICULTURAL LAND TITLING

Preparation of State Acts

ULTI has assisted with the issuance of approximately 233,000 State Acts for agricultural land. Of this number, some 219,000 were issued under ULTI contracts for pre-prepared State Acts. Approximately 14,000 have been issued under ULTI contracts for new work. Overall, the project is slightly ahead of the planned schedule for issuing State Acts. In order to stay on track, the Project's needs to continue successfully contracting and issuing State Acts.

Contracting Land Titling Work

Land surveying and preparation of State Acts continues under 66 contracts covering approximately 618,000 land shares. All contracts for pre-prepared State Acts are now either completed or cancelled. The Project's new contracting policy is to sign contracts based on land shares, not State Acts. Each land share is typically converted into multiple State Acts, so our new contracts should yield a larger number of State Acts than the number of land shares. As a result, we believe that our contracted numbers are on track to hit the Project's stated goal of 1.8 million State Acts issued. The number of land shares covered under ULTI contracts by oblast is shown in Table 1 below.

In September, the Project team continued to sign new contracts. There is now a substantial demand for assistance from the Project in 17 oblasts and we have a number of good opportunities to expand our work in the next few months. Opportunities range from requests to help complete land titling in an entire oblast (such as Sumy and Kharkiv) to individual contracts on which negotiations continue. The Project currently has over 600,000 land shares in the pipeline for potential new work, which should be enough to meet the Project's goals if even only 50 percent of the opportunities are realized. However, the recent increase in demand raises a question of funding for more land titling work.

Collaboration with ULRMC on Purchase and Use of Satellite Imagery

There has been no progress on this issue since August 2002 and cooperation between ULTI and ULRMC continues to slip. Even though processing of the initial set of imagery for Rivne Oblast is nearing completion and it should be available for evaluation in September, it cannot be used officially until either the Ministry of Defense or the State Service for Geodesy, Cartography, and Cadastre gives its expert decision that the imagery does not constitute a state secret.

Once the formal issues of clearance for the first set of imagery are settled, ULRMC intends to place an order for the remaining imagery. As reported previously, the ULTI Project will need imagery in Sumy, Ternopil, Poltava, Vinnitsa, Chernigiv, Kherson, Lugansk, Ivano Frankivsk, Chernivtsi, Zhytomyr, Kharkiv, Lviv, Odessa, Mykolaiv and Zaporizhia. Other oblasts in which an imagery purchase is possible are: Crimea, Volyn, Cherkassy, Khmelnytsky, and Zakarpattya. Purchase of imagery for this second set of oblasts depends wholly on the interest of the Oblast State Administration to sign a cooperation agreement with the Project. At this

time, the team does not expect to purchase imagery for Kirovograd, Dnipropetrovsk, Donetsk, and Kiev Oblast because there is no interest from the Oblast State Administration in those areas to cooperate with the Project.

Cooperation with World Bank on Agricultural Land Titling

In September, the team, along with USAID representatives, met with representatives from the World Bank to discuss a number of issues. The most important of these was Derzhkomzem Directive No. 23 and its impact on both the ULTI Project and the Bank's proposed rural land titling project. Both sides agreed that the Directive is obstructive to land titling and that it must be cancelled. The Bank representative claimed that the Bank could issue a letter to Mr. Danylenko expressing its displeasure with the Directive. The ULTI team has not detected any action on the part of the Bank to send out such letter, and frankly doubts whether the Bank will take any action whatsoever. More information on Directive No. 23 is shown in Section III, Problems, of this monthly report.

The team also discussed cooperation with the World Bank on legal drafting advice to Derzhkomzem. A lawyer from the Rural Development Institute is scheduled to travel to Kiev to conduct a comprehensive review of the current draft of laws prepared by Derzhkomzem, although the trip has been delayed due to World Bank contract issues. Should the RDI lawyer appear in Kiev under the World Bank's contract, the ULTI team will offer assistance and support on this matter.

Preparation of Land Titling Instructions

The legal team's draft Law on Allocation of Land Shares in Kind was approved and supported by the Agricultural Committee in the Verkhovna Rada. The draft will undergo its first reading before the full plenum in October. The draft law establishes the principles for allocation of agricultural land to landshare holders, sets out basic provisions for the procedures to be followed in the process, and requires the adoption of updated procedures for allocation of land shares in kind by the Cabinet of Ministers. This draft law represents the ULTI team's effort to circumvent the obstruction by Derzhkomzem to enactment of the model land titling instructions (Methodological Recommendations). More detail on this issue is given in the section below on Legal and Regulatory Work.

Cooperation with Swedish NSDI Project to Develop New Parcel Numbering Scheme

Cooperation between ULTI and NSDI is proceeding according to the revised schedule in the cooperation agreement. ULTI signed a contract with a Ukrainian firm that is processing the cadastral index maps for Ukraine in accordance with the schedule in the ULTI/NSDI cooperation agreement. The firm delivered the initial cadastral map data on August 12, 2002. Additional cadastral index map data should be completed in October 2002.

Collection of Land Titling Data in Electronic Format

The team has nearly completed the analysis of the land title data format and content that the Project will require from the survey contractors in digital format. The Project intends to request from its contractors data files that include owner information and other information shown on the State Act document, plus simplified graphical files (TIFF files) showing parcel boundaries overlaid on a backdrop. The Project expects to begin collecting data from the contractors and implementing the data archive in October. This data in electronic form will represent the minimum amount of information necessary to establish a legal registry of landowners' rights to real estate. The Project expects to make the data base a deliverable to USAID, which in turn could turn it over to the Ukrainian authority that eventually is designated to maintain the system of state registration of real estate rights.

NON-AGRICULTURAL LAND TITLING

Issuance of State Acts

As of the end of August 2002, (the last full month of statistics available at the time of this report) 4,240 State Acts were issued as a direct result of the Project's activities, with 343 State Acts issued in the month (75 percent of the revised monthly goal of 460 State Acts). Of these State Acts, 79 were issued on land parcels purchased before August 1, 2001 and 264 on land parcels purchased after August 1, 2001. The total value of land parcels to which State Acts were issued this month is UAH 6.016 million.

This month, eight regional coordinators reached 100 percent or more of their monthly targets, and ten regional coordinators failed to reach even 50 percent of their monthly target for issued State Acts. Thirty-two of the State Acts issued in the last month were for "secondary sales" of non-agricultural land. There is a total of 239 "secondary sales" on which State Acts are issued as of this month.

It is worthwhile to note that the number of State Acts issued in Mykolaiv oblast with the assistance of the Project has increased substantially over the last two months. The regional coordinator has assisted with the issuance of 57 State Acts, which is nearly double his targeted output for the two-month period.

Managing the network of regional coordinators

A monthly meeting of Regional Coordinators was held on September 12, 2002. At the meeting the following issues were discussed:

- Annual results of NALT activity.
- Oblast seminars on land sales
- Status of the implementation of the land auctions program.

- State of activities in drafting laws in the area of regulating land relations and other legal issues.
- Information and education activity of the Project.

In October, the team will conduct a two-day seminar during which the regional coordinators will discuss the regular issues raised each month and have a special session on problems with appraisal of land in the land sales process. The team has invited a number of experts to make presentations at the seminar, as well as a few officials from Derzhkomzem to explain the State Committee's attitude on a number of issues relating to appraisal.

The team also recruited a second regional coordinator for Odessa oblast in an effort to improve the lackluster output in that oblast. We hope that some competition in the oblast between the regional coordinators will raise the level of output there in the near future.

Measures to Accelerate the Issuance of State Acts

The team has adopted a number of actions to accelerate the issuance of State Acts to non-agricultural land. First, the team continues to use the installment contract under which the State Act to land is issued once the land purchaser makes the initial payment.

Second, the team's activity to promote land auctions is proving successful. This month land auctions occurred in Dnipropetrovsk city and Poltava oblast. Auctions are also planned in Crimea, Chernivtsi, Kherson, and Rivne.

Third, the Project will continue the implementation of the incentive plan in Lviv and Volyn oblasts. The regional coordinators in these two oblasts appear to be the only ones who can take advantage of the incentive.

Promotional Campaign

In September, the regional coordinators continued holding local seminars for the representatives of enterprises and local governments. A seminar at the oblast level occurred in Vinnitsa, and raional seminars were held in Kharkiv, Rivne, Zhytomyr, Mykolaev, and Chernivtsi oblasts. In addition, the team began to work with the Association of Ukrainian Cities to promote land sales and issuance of State Acts in its members' cities. After a meeting in September with the President of the Association, Mr. Pitsyk, the NALT team planned a presentation on the Project's capabilities for the newly formed subcommittee of the Association. This presentation is scheduled to take place on October 1, 2002.

LEGAL AND REGULATORY WORK

Draft Legislation, Comments, and Position Papers

- Draft Law On Allocation of Land Shares in Kind. The Agricultural Committee in the Verkhovna Rada supported the ULTI version of this draft over the version submitted by Derzhkomzem and the Cabinet of Ministers. The Committee recommended adoption of the ULTI draft by the entire Rada. The entire Rada is scheduled to consider the draft in October.
- Draft Law on Private Family Farm. The ULTI draft of the law was registered in the Verkhovna Rada in September.
- Draft Law on State Survey Expertise. The ULTI draft of the law was registered in the Verkhovna Rada in September.

Mr. Tomych, the Chairman of the Agricultural Committee in the Verkhovna Rada, agreed that drafting of a law on the protection of rights of land and property shares owners is not likely to be considered in the near future, and therefore explained that the ULTI team need not rush to prepare a draft. The ULTI legal team will work on the draft law with RDI lawyers in October. The team received a detailed list of draft laws and other normative acts and the status of each in the government or Verkhovna Rada from Derzhkomzem.

Simplification of Land Titling Procedures

The legal team is actively promoting the Law on Allocation of Land Shares in Kind as the means to simplify the existing land titling procedures. The Agricultural Committee in the Verkhovna Rada supported the ULTI draft over the Derzhkomzem draft and is recommending our draft for adoption to the entire Rada. Rumors have it that Derzhkomzem intends to gather support from certain deputies either to kill the ULTI draft or to substantially change its structure to better reflect Derzhkomzem's substantive interests in controlling the entire process of land allocation. Pressure is building on Derzhkomzem to adopt some new Methodological Recommendations (Instructions) on land titling and issuance of State Acts, but the Project doubts that any such instructions would be satisfactory. Our team suspects that any Derzhkomzem instructions are likely to complicate the process of land allocation rather than simplify it, as is evident from Derzhkomzem's actions over the past year which have generally delayed land privatization by creating more bureaucracy, rather than less.

Establishment of a USAID – GOU working group to address land titling issues

There has been no meeting of the working group since August 21, 2002 the date of the meeting of the experts' panel. To recap the August meeting, the ULTI team put forth eight proposals for adoption as recommendations to the working group. The panel adopted six of the eight proposals, including that:

- one State Act should be issued for each and every land parcel;
- the Cabinet of Ministers support a review of state secrecy issues related to the use of satellite imagery for ULTI Project purposes;

- the Cabinet of Ministers should order Derzhkomzem to accelerate the adoption of a new uniform set of land titling instructions;
- the Cabinet of Ministers support a public education program on television and on oblast level radio programs; and
- the Cabinet of Ministers support the inclusion of ULTI Team consultants at oblasts level meetings, seminars and other informational session to better explain the land titling process and the operation of the Project.

Since that meeting, Derzhkomzem Directive No. 23 has become an even more important issue that must be resolved immediately. Directive No. 23 effectively stops the work of the Project and must be cancelled for the Project to be able to assist in the issuance of State Acts to land. As a result of the enforcement of Directive No. 23 on the local level, the US Government is determined to call a working group meeting and resolve this and other outstanding issues. The Project team hopes that the working group meeting will occur in the very near future.

Environmental Issues

USAID approved five of the six tasks in the ULTI proposed IEE Implementation Plan submitted to USAID in April 2002. One task is still being debated by USAID before it approves implementation. The team met with USAID representatives on this matter and agreed upon a revised timeline for implementation of the plan.

Trip to Simferopol to Investigate Land Distribution Situation with Crimean Tatars

The team traveled to Crimea, in support of the US Ambassador's trip on September 18, to investigate the situation regarding distribution of agricultural land in the Autonomous Republic. According to a letter from the new Premier of Crimea, Mr. Kunitsyn, the main issues had been resolved and therefore Mr. Kunitsyn was inviting the Project to begin operation in the area. The team conducted a number of meetings with representatives from RosComZem, the Private Farmer's Association, and the Crimean Tatar Majlis and heard various stories. As a result, the team traveled to two villages to see for itself whether all problems related to land distribution are resolved. In fact, the site visits proved that the problems are real and still exist. The issues may not be quite as contentious as previously thought, but disagreement between the Tatar representatives and local officials still exists in many villages.

The problems with distribution of agricultural land relate to the fact that most Tatars do not have land shares and therefore are not entitled to receive agricultural land in the village. There seems to be agreement among the parties that agricultural land from the reserve fund or other areas in the village could be distributed to Tatars. Unfortunately, in many villages there is not enough land to distribute to the Tatar citizens, giving rise to the claims of inequity in distribution of land. Moreover, even where agreements on distribution of land were previously reached, Tatar representatives complain that often local officials do not implement the agreements.

As a result of these meetings and consultation with the US Ambassador, the Ambassador proposed that the ULTI Project might be able to offer some limited assistance in resolving some of these issues. The Ambassador proposed that the Crimean Government form a working group (to which a ULTI Project team could be technical advisor) to work on a raion or village basis to resolve issues on land distribution to a mutually agreeable conclusion. At the Ambassador's request, the team prepared a Protocol for consideration by the interested parties in Crimea on how the working group might operate and resolve these issues. It is not clear to the Project team how this issue will be resolved or what the next steps in the process might be. The issue is admittedly overshadowed by political implications, both to the United States side and to the interested parties in Crimea. The Project is awaiting further word from USAID on how this issue will proceed and whether ULTI will play any role in a potential working group on land distribution issues in Crimea.

Other Activities

Apparently AED has selected the winning bidders for the seminar for rural lawyers on issues of land tenure and land relations. AED sent their recommendations to USAID for approval. Once USAID approves, AED may notify the training providers and organization of the seminars can begin. The goals of the seminar are to educate lawyers on the procedures of land allocation and titling, provisions of the new Land Code, issues common to most land disputes, and other matters related to ongoing land relations between private parties. Such a seminar would help to establish a more competent community of lawyers who are better able to educate new landowners about their legal rights and protect those rights when they are violated. The team hopes that the seminars will occur in mid-October.

There is still no word from USAID on the letter prepared by the legal team from Chris Crowley to Mr. Danylenko regarding implementation of the ULTI Project. This letter was prepared in August at USAID's request, but there appears to be no intention to send the letter out. In the letter, Mr. Crowley expresses his desire for increased cooperation and coordination between USAID and Derzhkomzem, especially in three areas: legal and regulatory reform, land tendering procedures, and conduct of state survey expertise.

Related to the issue of state survey expertise, the team prepared a letter to the department of land resources in a number of oblasts asking that the term during which the oblast department of land resources conducts state survey expertise be reduced to five days. The Project also requests that the oblast department of land resources eliminate the fee for expertise, since the Project is being implemented with donor funds for the benefit of Ukrainian people. Agreement on these issues would constitute a major material contribution by the Government of Ukraine to the Project. Responses from departments of land resources in oblasts where the Project works continue to trickle in slowly. Most of the responses state that Derzhkomzem's central body must make the decision. The ULTI team has placed this issue on the agenda for the GOU/US Government working group to consider.

PUBLIC EDUCATION AND OUTREACH

- On September 10 and 11, 2002, the team conducted two days of seminars in Lugansk for heads of village radas and raion land surveyors. After the seminars the Project held a press conference with the oblast administration and department of land resources on land titling issues.
- On September 17 to 19, 2002, the team conducted three days of seminars in Kherson for heads of village radas and raion land surveyors. After the seminars the Project held a press conference with the oblast administration and department of land resources on land titling issues.
- On September 21, 2002, the team organized and conducted a second training seminar for the Project's information distribution agents. At this training session, the team explained the Project goals, strategy for information distribution, and the procedure to follow when distributing leaflets and posters in villages of Ukraine.

OTHER ISSUES

The PE team worked to organize an important press conference in Sumy oblast in response to misinformation being spread by the oblast administration about the Project's payment policy. Reports in the press and mass media in Sumy oblast stated that the Project pays only a part of the cost of preparing State Acts and that rural citizens entitled to land should pay the remaining 40 UAH required to receive their State Acts. This press conference was postponed on two occasions and is now scheduled for October 2, 2002.

The PE team continued its information campaign by sending letters to all heads of village radas, raion authorities, and oblast authorities. There is a seemingly endless stream of letters that the Project must write each month to effectively communicate with the interested parties (administration officials, heads of village radas, survey subcontractors, etc.) of the Project.

E. Tanzania Tax and Mining Policy, TO #813

Start Date: July 9, 2001

Completion Date: July 8, 2003

Amount: \$1,629,987.00

PROJECT UPDATE

This report covers progress on implementation of activities for the period July to September 2002. During the period, the project moved ahead with implementation of three training programmes namely:

Training on taxation of mining activities targeted at tax assessors from TRA, Information technology training to TRA, MEM, Chamber of Mines and TAMIDA, and Gem craft training.

To facilitate the training program, IBI has found that it is possible to deepen the quality of learning by using laptop computers in the training and making them available to trainees afterwards for practice. After discussion of this advantage with USAID's CTO, and consideration of the high cost of renting computers for training, IBI requested procurement by USAID of thirty laptops for use in training during the project. USAID responded positively and very rapidly, making it possible to have the first lot of laptops available for the August training on taxation in the mining sector. TRA was enthusiastic about the process and agreed to train participants ahead of time in basic Excel. Prior to the next tax training, which will cover mine business plans and how tax revenue appropriateness can be assessed using them, participants will again be asked to take a basic Excel course so that they can benefit fully from the course.

Activity 1: Reviewing the tax policies

This activity focuses on building tax policy analytical capacity through structured policy dialogue and training. During the period under review, a programme on taxation of the mining sector was conducted from August 4-16, 2002 at Eastern and Southern African Management Institute (ESAMI) in Arusha for senior tax assessors. A total of 26 participants, including a deputy commissioner, attended the two-week programme. At the end of the programme course participants revealed their understanding of the mining sector through group reports on key issues. Several groups demonstrated considerable computer skills, including presenting their reports in PowerPoint.

TRA cosponsored the training, providing the initial Excel training for participants and per diem during their stays in Arusha. The Tax and Mining Policy Project provided the facility rental, equipment, training supplies, and the faculty who delivered the course, Professors Graham

Glenday and G.P. Shukla. In consultation between the Acting Commissioner of Income Tax, the Professors, the COP and PMU, it was agreed that the next training should go more deeply into understanding the working plans of the mines for better revenue forecasting.

The Tanzania Chamber of Mines had delayed signing its grant award due to internal organizational difficulties, so it has only just begun implementing its first-year work schedule. Therefore, preparations for seminars and workshops for awareness and public campaigns are expected during the following quarter (Oct-Dec). Definitions of priority themes for seminars and technical working group sessions and organization of the TWG core members are still pending. PMU and TCM are to work on the themes by end of October, before they are forwarded to the TCM council. As such the Chamber of Mines will begin holding seminars earliest towards the last part of November or early December.

One of the major policy issues involving both the Chamber of Mines and the Economic Diversification component of this project is the relationship between large-scale and small-scale or artisanal mining. Each group tends to regard the others as interlopers and there are sometimes serious conflicts. The MEM and project personnel have worked with both groups to achieve mutual acceptance and promote cooperation where feasible. The main sensitive points are that large-scale miners observe artisans operating without regard to mining law, while artisanal miners fear that large-scale mining concessions are squeezing them out of jobs. The project works with both sides. The working groups in the Chamber will help to bring artisanal mining operations into compliance with mining law and improve their mining practice (safety, efficacy and environmental impact). The project also encourages large mining companies to identify ways that they can work with small-scale and artisanal miners.

During the August and September activities, the COP and subcontractor Rogers Sezinga met individually with the two largest active mining companies, as well as with the Chamber of Mines council to discuss these issues. The two mining companies have each agreed to institute training/mentoring programs with small-scale miners in their area. Tan Discovery will work to provide those companies with the training materials and trainers prepared under the Environmental and Economic Diversification components of this project and to expand the extension work into areas convenient to cooperating large-scale mines.

The Chamber of Mines also wants to create better public understanding of the impacts of mining on Tanzanian job-creation, investment, infrastructure, community development and tax revenues. Part of this effort involves creating a reliable and usable database. Since the Ministry of Energy and Minerals, the Tanzania Revenue Authority, and the Tanzania Mineral Dealers Association also want to improve their database management, we conducted a combined training program for participants from all organizations. From August 26 to September 5, IBI information technology specialist Shannon McCafferty conducted a data management workshop-cum-training for fifteen personnel from all of the above organizations. Participants began by determining which data will be in the proposed data bank, the conditions of web access to each type of data, and sustainable means of maintaining the database. Unfortunately,

the participants had differing backgrounds, some of which were inadequate for effective training. The organizations also had not thought through which data they wanted available to which audiences. Hence the training covered mainly data gathering and analysis.

It was proposed to hold another training programme (if resources permit) focused on data management and effective presentation to the public, through web sites.

Activity 2: Reviewing government policy and plans for utilizing income from mining

Specifically, this activity involves development of an urgent strategy for investment of windfall mining revenues. Implementation of the activity is rather belated since ESRF first wanted to do its own revenue forecasting and then decided to await a model revenue forecasting package developed by Professor Shukla. The latter has been forwarded to ESRF, but proper use of it will be facilitated by ESRF participation in the mine-model training to be offered in January 2003. Incidentally, the strategy document, which was necessary to identify the problem and quantify its dimensions, is yet to be developed. At the moment inputs for the model are being worked out by MEM and ESRF, hopefully to be completed by the next quarter.

ESRF are yet to constitute a Policy Advisory Group to study the projections and advise on how the revenues can be utilized to maximize their sustainable development impact.

Activity 3: Diversification of economic activities

This activity was planned to develop business opportunities and job-creation potential of the minerals sector. It is intended to provide some marketing/technical assistance to miners and to others who may participate in the sector upstream and downstream from mining itself. The results expected from this component include the creation of legal framework to permit artisanal/small scale mining in collaboration with large-scale mining companies. Jobs can be created in mining itself by setting aside for artisanal miners deposits that are too small to be economically viable for large companies, but rich enough and close enough to the surface to interest artisanal and small-scale formal miners. Jobs can also be created by involving Tanzanians in upstream supplies and services, and downstream processing of mining products and by-products. One of these that proved particularly successful this quarter was training a pilot group of crafts people in gem tumbling and wire-wrap jewelry making using gemstone material too cloudy for sale as gems.

During the period under review Tan Discovery conducted the following activities:

- Contacted large mining companies to find out if they are interested in working with small/artisanal miners. Each company was given a questionnaire to assist in identifying opportunities and obstacles to cooperation. Initially the responses were slow in coming, but with personal meetings involving Tan Discovery and the COP with major companies the survey results began to come in.

- Interviewed mining companies, minerals dealers and government officials to identify other upstream and downstream business/job creation opportunities potentially generated by the mining sector. The results of these studies indicate that most mining companies are hesitant to participate or cooperate with small-scale miners, except assisting them with training and in case of emergencies. A report is still under preparation.
- Organised a gem-crafts training for 30 people in Arusha. This training was well received by the trainees, the dealers and miners, and business people interested in being suppliers or in developing the market for gemcraft products, especially among local tourist shops. Trainees were asked to pay tuition for this course (TZS 30,000=USD33). While this was only a tiny fraction of the cost of providing the course, the principle it established worked extremely well. Advertising the course in the newspaper and requiring a small tuition payment provided a self-selection of truly motivated trainees. It obviated the need for lodging and per diem arrangements, which trainees covered themselves, making it more feasible to offer additional such trainings. The instructor was Ed Sinclair, a world-renowned expert in wire-wrap jewelry technique and author of several best selling texts on the subject. He said that the Tanzanian class was the best class he had ever taught. The newspaper ad also provided an inadvertent publicity alert. People began talking about the course in Arusha. This was reinforced by television, radio and newspaper coverage in all major press outlets. The result was that people were clamoring to enter the course even after it started, business people visited asking to be involved, some seeking to hire trainees and others to be involved in marketing, or to get another course organized.
- Contacted all tourist shops in the corridors leading from Arusha to major game parks (for which Arusha is the jumping off point) to develop purchasers for the gemcraft products that trainees were learning to make. All of the major shops expressed interest in marketing the new jewelry. Several business people visited

PMU/TRA/MoF are still trying to initiate policy changes, possibly legislation, necessary to facilitate job creation in mining itself, mining service provision, and synergies with tourism.

Plans for next period include training, targeting those who learned wirewrap jewelry-making, on the marketing and small business operating skills that would enable to turn their skills into a viable business.

Activity 4: Addressing environmental concerns

This activity involves developing local and national action plans for mitigating the adverse environmental effects of increased artisanal mining. The specific tasks under this component include but not limited to looking at applicable environmental policies and regulations and suggesting changes that are necessary in view of the anticipated increase in artisanal activities.

The first findings of the project team are that the necessary macro policies are in place and manuals have been prepared explaining environmentally sound mining practice for small mining. These have yet to be tested and implemented, however. Only when it is known what practices are readily adopted and which are resisted can the policy implementation be adjusted with the proper mix of incentives and regulations. A pilot outreach campaign to small miners, was designed using Small-scale mining techniques manuals available from the Ministry of Energy and Minerals.

Plans for the second project year involve expanding the outreach campaign to radio, TV and several regions including Arusha and Mara (depending on financing).

PROJECT ADMINISTRATION

During the period under review, PMU participated in organisation of different training programmes on the main activities. IBI trainers Glenday, Shukla and de la Torre came to present the tax training. The COP arrived for the final stages of that training, together with McCafferty. They delivered the training supplies and tumbling equipment for the Arusha Gem Centre, which the training program is helping to equip. COP helped organize the database training in Dar and returned to facilitate the gemcraft training in Arusha.

PMU participated in the taxation of mining programme held at ESAMI Arusha from August 4-16. The programme was conducted by G.P. Shukla and G. Glenday, with assistance from a local consultant, Mr. N. Magere, who gave a presentation of income tax applicable in Tanzania. The project coordinator also gave a presentation of the current status of mining sector in the country. In addition, the PMU participated in the data management programme held at the Institute for Tax Administration in Dar es Salaam.

PMU also took delivery of a total of 30 laptop computers, each with an inkjet printer. These computers are to be used during training programmes organised by the project. It was unfortunate that there were power surge problems during the data training session, resulting in damage of several power adapters. These can be replaced, but TRA is requesting additional computers, so we are doing a needs assessment.

During the training in Arusha, 10 laptop computers with printers were handed-over to TRA. It was agreed however that, these computers would be recalled by the project for future training programmes.

POLICY ISSUES

Tanzanite:

The ministry had drafted regulations to control entry of people into the Merelani Mining area. The regulations were published in the government Gazette No. 450 on 27/09/02. A copy of the same will be transmitted to COP soon.

The COP met with TAMIDA, AFGEM and small miners in Arusha and Merelani to follow up on the Tucson Protocols and their impact. The dealers began putting professional warranties on their export invoices in July. The MEM added them to export permits beginning in August when the stamps arrived from the US. No evidence has emerged from exhaustive intelligence inquiries in Tanzania and around the world that al-Qaeda has any current involvement in tanzanite trading. Some of the US jewelry retailers have reentered the market (Zale's and Tiffany's). Others have preferred to stay on the sidelines (QVC) and await full global implementation of the Tucson Protocols.

The consensus among the industry based in Merelani is that mining is gradually recovering from the twin crises of the 2001 market crash and a catastrophic mining accident in June 2002 that took 39 lives. The investigative commission at that time closed all 200 small mines in Merelani Block B and has allowed them to reopen only as they pass safety inspection. The mine at which the accident occurred reopened, as have approximately 10 percent of the total. The 200 small mines in Block D were unaffected, as were the two in Blocks A and C. There is still substantial unemployment in the area, as most of the workers were employed on Block B. This, however, appears to provide a needed opportunity to implement the controlled access policy while it affects less people directly. The market prices of tanzanite are still off about 30 percent from their mid-2001 peak.

NEXT STEPS

Work planned for the next quarter covering October- December, 2002:

- Tandiscovery to continue with field work to train miners in safe use of explosives, mine ventilators, and mine safety at Merelani, in addition to shooting an environmental demo video.
- ESRF will convene meetings of the TWG to discuss the programme to utilize revenues from mining activities.
- Preparations for follow up training for tax assessors scheduled for January 2003.
- Conducting business skills training as part of the gem craft programme early November.
- Design of mineral database at MEM and possibly TCM.

- Distribution of computer systems to MEM, TRA and MoF, while still keeping them available for training, and assessment of further need for computers.
- Development of a work plan for project year 2.

F. USAID/Moldova Financial Management Training and Advisory Activity (FMTAA), TO #815

Start Date: September 1, 2001

Completion Date: August 12, 2003

Amount of Delivery Order: \$2,212,570.00

HIGHLIGHTS OF THE ACHIEVEMENTS TO DATE

Since startup in September 2001, the Financial Management Training & Advisory Activity has provided training to 3,812 accountants, auditors, and university faculty members in 283 seminars. To date, the Financial Management Training and Advisory Facility has generated gross revenue of over 215,000 Moldovan Lei (\$15,800), deposited to the ACAP Development Fund bank account. The project has also assisted in the development and publication of 3 guides, "Practical Guidance to Accounting Principles and Financial Accounting," "Cost Accounting Guide," and "Guide for the Accountant of an Entrepreneurial Agricultural Cooperative," and has provided advisory services on various issues related to accounting and taxation to 143 practicing accountants. Eight CPCs (Certified Professional Accountants) qualified during ACAP's December 2001 examinations. The Association of Professional Accountants and Auditors of Moldova achieved a total number of 1,904 members as of September 30, 2002. Additional details on these and other project achievements are discussed below.

SPECIFIC ACTIVITIES

This section covers progress against six deliverables as stated in the project scope of work.

1. Establish Financial Management Training and Advisory Facility (Task 1).
The Financial Management Training and Advisory Facility (FMTAF) was established in November 2001.
2. Provide training in financial and managerial accounting, audit engagement procedures, internal audit, non-profit accounting, and accounting information system (Task 2).
 - FMTAF continued the marketing campaign in the mass media promoting its seminars/training courses and advisory services during July-September 2002.

- During July - September 2002, 34 seminars were conducted in Chisinau and Balti. 750 participants, including faculty members of higher educational institutions, accountants, and auditors, were trained in financial, managerial, tax accounting, audit, and financial management.
 - During the period of July - September 2002, FMTAF generated gross revenue of 49,000 Moldovan Lei (3,600 USD). The ACAP Development Fund bank account, to which all fees paid to FMTAF are deposited, is reconciled monthly, with all disbursements approved by and coordinated with the Chief of the Party and the Board of Directors of the ACAP. In addition, during September 2002 a review of the FMTAF accounts receivable resulted in writing-off of 40,000 Moldovan Lei (\$2,900). These amounts were for invoiced customers who had registered for training, but who hadn't attended.
 - On September 23, 2002 FMTAA started its new beginners' course on "Principles of Accounting and Taxation" (150 hours). 23 participants are currently attending this course, which will end on November 15, 2002.
3. Assist the Academy of Economic Studies of Moldova (ASEM) in its accounting and audit curriculum reform effort and strengthen its partnership with the University of Nebraska at Omaha (UNO) (Task 3).
- UNO faculty member, Dr. Jack L. Armitage, Chair of Accounting Department, UNOmaha, completed his consulting assignment for FMTAA on August 9, 2002. During the period July 15, 2002, - August 10, 2002, Dr. Armitage developed three working drafts of the following regulations that will be required by the new Law on Auditing:
 - Regulation on the Audit Activities Control Committee.
 - Regulation on Licensing of Audit Activities.
 - Regulation for Auditors' Certification.
 - The Accounting Department at UNOmaha hosted four AESM Associate Professors for the period of June 3 - July 14, 2002. The AESM professors participated in the following courses: Principles of Accounting, Intermediate Financial Accounting, Principles of Auditing, and Management Information Systems. The professors were tested at the end of each class. The program also included exchange of experiences in the methodology of teaching, accounting curriculum reform, research activity, and education process administration. The Dean of the AESM Accounting Department Tatiana Misova and FMTAA Deputy Director, Marina Shelaru, visited the Accounting Department at UNOmaha during June 28 – July 14, 2002.
 - The results of Summer 2002 Exchange Program were discussed at the first fall meeting of AESM accounting faculty members on August 28, 2002 where Certificates of

Recognition signed by Dr. Armitage (UNOmaha), Michael Neider (FMTAA) and Viorel Turcanu (AESM) were presented to the participating AESM exchange faculty members.

- As a result of this exchange program to UNOmaha over 100 textbooks were donated to AESM. In addition, plans were initiated to offer a distance learning class from UNOmaha for AESM professors and/or students. Video lectures on CDs may also be part of this collaboration.
 - It is also planned that four AESM faculty will visit UNOmaha during summer 2003. They will attend classes, have meetings with UNOmaha faculty on the methodology of teaching and accounting curriculum reform, and visit local businesses and CPA firms. In addition, meetings on accounting research that will lead to joint research projects are planned.
 - On August 6th & 13th, 2002, the FMTAF organized a roundtable discussion on the New National Standard on Auditing - *NSA 260* "Communications of Audit Matters with those Charged with Governance" and National Audit Practice Statement – *NAPS 1007* "Communications with Management". In total, 40 practicing accountants and auditors participated in these discussions.
 - FMTAA provided technical support in preparing the teaching guide "Cost accounting" (in Russian). The final version of the textbook (hard and soft copies) was submitted to the author, Dr. V. Turcanu, on August 28, 2002. Third year students will utilize this manual in their Managerial Accounting course during the fall semester of 2002.
 - The working plan for developing the revised textbook on Financial Accounting was completed. The textbook is scheduled for publishing in March 2003.
 - On September 17, 2002, a round table on topic "Accounting teaching practice at the University of Nebraska at Omaha (UNO)" was held at the Academy of Economic Studies of Moldova with the support of USAID FMTAA Project. The round table provided a forum for the exchange of information on organizing the teaching process and the methodology of teaching financial accounting, managerial accounting, and auditing disciplines based on the experience accumulated by participants of the Accounting Faculties Exchange Program between AESM and UNO in summer session 2002. 75 persons attended the round table; among them were 50 representatives of economic faculties and universities, 13 representatives of colleges and 3 representatives of Ministry of Finance and Ministry of Agriculture of the Republic of Moldova.
4. Provide financial management advisory services to enterprises to improve financial management capacity (Task 4).

- In July 2002 FMTAA entered into an agreement with the Moldovan consulting company “Industrial Consult” to financially support advisory services to the Ministry of Economy and the Ministry of Finance to develop a new fixed asset code (FAC). The present FAC is a relic document approved in 1972 left over from the Soviet Union. This code is used to calculate depreciation for tax purposes. The first draft of the Fixed Assets Code (FAC) was submitted. FMTAA specialists reviewed the document and the recommended changes were discussed. The revised FAC draft is planned for submission to MoE, MoF, other state departments, and practitioners for feedback, with the final version of the document due on October 15, 2002.
 - During the period July – September 2002 FMTAA provided 13 pro bono consultations to companies on financial and tax issues. In addition, in August 2002 the project provided advisory services to a local telecommunication company regarding some of their HR policies.
5. Promote Use of Accounting Information Technology (Task 5). During July - September 2002, the Task 5 Team promoted the use of accounting software through the following activities:
- 1C – Account Timbal - Continued to utilize FMTAA's training facility. In July - September 2002, 18 participants have been trained in the use of Accounting Software 1C both through lectures and hands-on training.
 - Universal Accounting – Continued discussions on developing a training program for their software.
 - Grossbuh – developed a new version. The company reviewed and installed a prerelease version, developed in Clipper for Windows through a Delphi interface. The security review is underway.
 - The General Computer training classes offered by FMTAA will begin in October. There is a reviewed and modified price structure for the General training. In addition, FMTAA is currently developing LAN and Database training.
 - Provided consultation to USAID Local Government Reform Project (LGRF) about modifying software to be used at the Local Government level, to include facilitating a meeting between LGRP and MoF to begin the documentation of Governmental accounting;
 - Met with Artur Munteanu, Alianta Microfinantare Moldova, to begin preliminary discussions about the use of accounting information systems in micro-lending institutions.
 - Provided consultation with USAID Private Farmers Assistance Program (PFAP) on the purchase of marketing software. Reviewed proposals and gave recommendations for vendor contracting and advised on contracting issues.

- Supported ACAP:
 - Assisted ACAP in negotiating a contract with “Universal Accounting”, a Moldovan software vendor.
 - Developed the strategy for ACAP to change out their LAN administrator
 - Began screening candidates for the ACAP LAN position
 - Met with ACAP director to itemize his IT needs for the upcoming months
 - Outlined a work plan for web development with respect to the General Assembly of SEEPAD to be hosted in June, 2003, in Chisinau, Moldova

- Supported FMTAA:
 - Upgraded file server’s data storage capacity
 - Upgraded professor and administrative computer operating systems
 - Developed an internship program. The first two interns are graduates of the Academy of Economic Studies of the Republic of Moldova.
 - Performed general maintenance of FMTAA and ACAP information system and 2 data backups of FMTAA
 - Reinstalled the operating system on 3 computers
 - Installed new GrossBuh on all computers in lab.
 - Reconfigured Transmission Control Protocol/Internet Protocol (TCP/IP)
 - Welcomed new team member, Vitalii Solonari, who will be promoting the training center.

- 6. Financially support ACAP in staff salaries, office rent, and updating the certification program; and develop a partnership between ACAP and a US, Canadian, or Western European accounting and audit SRO (Task 6).
 - Staff salaries and rent of ACAP were paid for the period of July - September 2002.
 - ACAP achieved a total number of 1,904 members as of September 30, 2002.
 - In July 2002 AESM professors met with Mr. Dan Vodravka, President of the Nebraska Society of CPAs (NESCPA) while participating in the exchange program with UNOmaha. Purpose of the meeting was to further discuss the possibility of a cooperative agreement between the Nebraska Society of CPAs and ACAP. ACAP has provided Mr. Vodravka with the detail of the envisioned cooperative agreement,

along with detail of ACAP's activities and history. Mr. Vodravka will discuss this with the NESCPA BOD at their November 2002 meeting.

- During September 19-21, 2002, five ACAP representatives participated in the XIIth Congress of the Accounting Profession in Bucharest, Romania, the theme "Regulation and Deregulation in Accounting".
- The extraordinary annual meeting of ACAP members is scheduled for November 16, 2002 so that a new Board of Directors can be elected.

7. Other activities

- The FMTAA's Training Facility (FMTAF) is envisioned as a revenue generator for ACAP and will be transferred at the end of the project to the association. To allow for this the FMTAF will need to become a financially self-sustaining entity by the end of this activity, from which ACAP derives substantial training revenue. During September – October 2002 Mr. MacLeod, a short-term consultant, will develop a financial reporting system for the FMTAF, which will facilitate preparing a monthly prospective income statement. Conservative assumptions have been made to determine the fixed and variable costs necessary to operate the FMTAF if it were a stand-alone facility maintained by ACAP taking into account current economic conditions.

QUARTERLY FINANCIAL UPDATE:

Authorized Expenditures:	\$2,212,579
Actual Expenditures:	\$ 648,981
Balance:	\$1,563,598
Balance in Days:	1,821
Estimated Completion Date:	8/12/03

G. Technical Support for Procurement and Project Management and Private Sector Participation (PSP) to the Ministry of Water and Irrigation, Water Authority of Jordan and the Jordan Valley Authority, TO #814

Start Date: August 6, 2001

Completion Date: August 31, 2003
Amount of Delivery Order: \$1,530,072.50

HIGHLIGHTS

The TAPS project contributes to the attainment of USAID's Strategic Objective for Improved Water Resources Management with the primary objectives of strengthening key water sector institutions, increasing water use efficiency and improving the quality of treated wastewater. By July it became apparent that the project goals as perceived by both USAID and the MWI were changing. Both parties were becoming more focused on transaction assistance for PSP projects, including projects that were still in the planning stages as well as projects that were already in the implementation process. At the same time, requests for assistance in the Procurement and Project Management areas appeared to be declining. USAID and the MWI drafted a revised scope of work to reflect these shifts and a contract time extension and budget amendment submission are currently under consideration to enable the TAPs project to complete the Aqaba PSP assignment.

The vacancy of the long term technical advisor position offered a key opportunity to review these Ministry needs and modify the technical requirements of the to better suit this adjusted emphasis to PSP.

Mobilization of a replacement long-term advisor. After a 54 day short term assignment related the PSP options Analysis in Aqaba, Mr. Jose Valdez, a PSP Specialist focused on financial restructuring was selected and approved by both USAID and the MWI as the new resident Technical Advisor. Mr. Valdez was fielded for this position on August 12, 2002.

SPECIFIC ACTIVITIES

It has been noted in discussions with both USAID and the MWI that with the evolving nature of project objectives, the LOPWP prepared in January did not address the needs for technical assistance as currently defined by either the MWI or USAID, which had changed dramatically from those prescribed in the contract scope of work. Based on guidance provided by USAID and MWI, TAPS proceeded to implement the short term "Initial Tasks" work plan and completed the study on Institutional Relationships and the Options Analysis. At this point, TAPS resumed work planning efforts, focusing initially on the preparation of the pre-feasibility study for Aqaba and subsequently on the revised overall LOPWP. Then, coinciding with the arrival of the long term TA in Jordan in July, the MWI requested immediate assistance in resolving issues that were being encountered in the procurement process for the Wadi Mousa Management Contract. Thus the work planning effort had to be expanded to accommodate the Wadi Mousa assignment and scheduling the start of Aqaba pre-feasibility study tasks had to be deferred in favor of Wadi Mousa.

This section covers progress toward the execution of the revised life of project workplan and scope of

work.

1.1 Wadi Mousa

The bidding process to select the operator for the Management Contract began June 24, 2001 with a public announcement inviting interested parties to submit pre-qualification documents. Seven groups of national and international companies submitted credentials and after a selection process in October 2001, five bidders were asked to present technical and financial offers. During the process of questions and answers related to the bid documents, bidders raised various issues that required a further analysis from WAJ forcing delays on three occasions. In early June, the MWI requested TAPS' assistance in reviewing the procurement process, the bid documents and in providing answers to questions that had been raised by the pre-qualified bidders. The submission date for bids at that time was set for July 17, 2002 and it seemed clear that further postponement would be required.

TAPS became fully engaged in the procurement process¹ with a view toward assisting in the successful conclusion of the bidding process and providing assistance in bid evaluation, negotiation, contract closing and subsequent monitoring. An outline of the assistance provided by TAPS is shown in the adjacent box.

TAPS Assistance on the Wadi Mousa Management Contract

1. Review background data, e.g. LEMA management contract, pre-feasibility study, legal and regulatory issues, technical and financial issues, history of procurement process to date
2. Review and Improve Data Room
3. Review questions - prepare answers
4. Draft tender document addenda (best practices)
5. Prepare for & conduct 2nd bidders conference
6. Prepare final version of tender documents
7. Receive bids
8. Evaluate technical proposals
9. Open financial proposals
10. Prepare for the transfer of administration
11. Develop framework for monitoring
12. Implement monitoring & evaluation program

A group of short term legal, financial and technical specialists were fielded intermittently from late June to September to work with the long term team members and local specialists in addressing the assignment. The team reviewed all relevant data concerning the preparation of the project, the bidding process, the information made available to bidders, the questions received from bidders and the answers given to date. The team successfully responded to outstanding bidder questions, developed appropriate addenda to the bid documents, scheduled a second bidders' conference and appeared to have stabilized the procurement process sufficiently to allow the bid opening to occur on the rescheduled date of September 29th.

1.2 Aqaba Pre-feasibility Study

¹ TAPS was officially appointed as advisor to the MWI through the issuance of Addendum No. 7, which also postponed the date for submission of bids from June 17th to September 29th.

The TAPS team continued to assist MWI/WAJ on the Aqaba Water Company (AWC) establishment. Five short term consultants have identified to work on the initial phases of this assignment. Work planning for the Aqaba pre-feasibility was finalized and the first tasks were scheduled to begin in July, after the initial thrust of work on Wadi Mousa was completed.

During work planning/strategy sessions with the MWI, it was determined that the study should be oriented at assessing the feasibility of incorporating a form of PSP into a restructured version of WAJ Aqaba that would become known as the “Aqaba Water Company” (AWC). The pre-feasibility study therefore, in addition to the standard pre-feasibility analyses, would address the restructuring process and the institutional development programs for AWC that would be needed to achieve decentralization, self sufficiency and raise operational performance levels. A generalized listing of pre-feasibility tasks is shown in the adjacent box. Preliminary studies had been undertaken by local consultants, but the preponderance of the pre-feasibility study tasks were scheduled for completion during the remainder of 2002.

The Aqaba Water Company - Pre-feasibility Analysis on Restructuring & PSP Involvement

1. Analyze restructuring of WAJ Aqaba into the AWC
 - Legal setting for LLCs, PSP, barriers, procedures
2. Pre-feasibility Study (PFS)
 - Develop divestiture strategy, assets/accounting
 - Operations analyses - demand, customer WTP
 - Technical feasibility analyses of capital program
 - Capital and operating cost estimates - update
 - Financial analyses, projections/financing plan
 - Economic analyses, WACC, IRR, sensitivity
 - Prepare draft report, discussion, feedback, revise
 - Prepare short term business plan
3. Conduct one-day seminar on PFS & best practices
4. MWI/WAJ decision on Aqaba PSP Approach A or B

Alternative Visions for the Future of AWC

The MWI's vision for the AWC involves the incorporation of one of two forms of PSP in the future. Under Approach A, after completion of the pre-feasibility study, TAPS would be authorized to initiate the preparation of a procurement process aimed at entering into a contract for a long term concession for the operation, management and capital development functions of the AWC². The concessionaire would be comprised of a group of strategic investor/operators, likely to include both domestic and international firms. In this case, the concessionaire would become responsible for following through with the restructuring and institutional development tasks identified in the pre-feasibility study.

Under Approach B, TAPS would be assigned to conduct the restructuring and institutional development tasks identified in the pre-feasibility study. AWC staff would receive training, accounting and financial systems would be upgraded and installed, O&M procedures would be implemented and meter reading, billing and collections systems would be installed. These improvements would be designed and implemented during the year (2003) following completion of the pre-feasibility study and would conclude with the development of a strategy and plan for building a public-private partnership (PPP) during a subsequent stage.

QUARTERLY FINANCIAL UPDATE:

Authorized Expenditures:	\$ 1,530,072.50
Actual Expenditures:	\$ 730,479.86
Balance:	\$ 799,592.64
Balance in Days:	425
Estimated Completion Date:	August 31, 2003

H. Romania Environmental Management Services, TO#806

Start Date: September 30, 2001

End Date: July 31, 2002

Amount of Delivery Order: \$1,030,522.00

GENERAL ACCOMPLISHMENTS

The structure of the EMS tailored for this project was finalized and the next main steps in the project were clearly defined.

The Environmental Management Plans were finalized and consolidated to include both the Environmental Management System and the Pollution Prevention activities. The consolidated plans were formally approved by the top management of the partner organizations (organizations), and became Environmental Management Programs (EMPs), part of the organizations' management documents. Monitoring of the EMPs' implementation was initiated and environmental and cost benefits were estimated.

SPECIFIC ACTIVITIES

Task I. Phase II - EMS/P2 Implementation and Demonstration

Task II. 2: Pilot implementation

Important programmatic decisions were taken during the visit of the US EMS Expert, in July. The structure of the EMS for this project and the final format of the Environmental Management Plans were defined. The next activities were defined and planned. The EMS and P2 activities were consolidated in the same plans.

The Environmental Management Plans were finalized and formally approved by the top management of the organizations. Subsequently, the plans became Environmental Management Programs (EMPs), and were included in the management documents of the organizations.

Monitoring of the EMPs was initiated. Procurement of the monitoring equipment was

completed. The equipment was promptly installed by the organizations. The Romanian monitoring consultant drafted the monitoring procedures and provided “on-the-job” training to relevant staff of the organizations.

The Romanian P2 and EMS consultants visited the organizations and helped them estimate the environmental and cost benefits of the EMS and P2 activities. The Field Office (FO), staff developed guidelines for the plants to help them draft the presentations for the Mid-term seminar. The Romanian P2 specialist visited the organizations and helped drafting the presentations for the seminar.

The staff of the FO and the Romanian consultants prepared their own materials for the Mid-term Seminar. The FO coordinated the preparation of the papers and completed logistics arrangements for the Mid-term seminar.

QUARTERLY FINANCIAL UPDATE:

<i>Authorized Expenditures:</i>	<i>\$1,030,522</i>
<i>Actual Expenditures:</i>	<i>\$576,274</i>
<i>Balance:</i>	<i>\$454,247</i>
<i>Balance in Days:</i>	<i>1,008</i>
<i>Estimated Completion Date:</i>	<i>7/31/03</i>

I. Eritrea Economic Growth, Food Security and Enterprise Development Assessment, TO#818

Start Date: August 10, 2002

End Date: October 15, 2002

Amount of Delivery Order: \$198,584.00

Chemonics provided a team of four short-term consultants to undertake an assessment of past enterprise development and micro-enterprise activities. The team made recommendations on how the Mission might expand and improve these programs based on lessons learned in previous activities. The team also provided contributions to the debate on the direction and content of USAID/Eritrea’s development assistance activities in the area of economic growth and food security as the Mission prepares its new ISP.

The final report is forthcoming and will be completed in the following quarter.

J. East and Central Africa Global Competitiveness Hub, TO#819

Start Date: September 16, 2002

End Date: September 15, 2003

Amount of Delivery Order: \$1,499,933.00

The U.S. Government, in October 2001, announced the Trade for Africa Development and Enterprise Initiative (TRADE). As part of this initiative, the U.S. Government, through USAID/REDSO (*Regional Economic Development Support Office*), established the East and Central Africa Global Competitiveness Hub (ECA Hub) whose role is to:

- *Strengthen the capacity of ECA countries to participate more effectively in the multilateral trading system, including WTO Doha Development Agenda negotiations*
- *Develop and implement private sector business support strategies for increased trade under AGOA (The Africa Growth and Opportunity Act)*
- *Facilitate the effective implementation of customs reform and trade facilitation initiatives to promote the creation of a more globally competitive ECA region with a specific focus on the COMESA Free Trade Area*
- *Improve the efficiency of the regional transportation networks and develop mechanisms to reduce transportation costs related to trade*
- *Provide information to regional trade stakeholders as well as serve as an information coordinator between the various trade, investment, and finance organizations active in the region*

Chemonics was awarded this Tier 1 task order under GBTI based on our past experience and corporate qualifications. The TO was signed September 16, 2002. The team arrived in Nairobi shortly thereafter and began work planning.

The ECA Hub covers the following countries: Burundi; Central African Republic; Comoros; Congo; Democratic Republic of Congo (DRC); Djibouti; Eritrea; Ethiopia; Gabon; Kenya; Madagascar; Mauritius; Rwanda; Seychelles; Somalia; Sudan; Tanzania; and Uganda. The Hub has three major components:

- *Building Capacity for Trade Policy Formulation and Implementation*
- *Developing and Implementing Private Sector Business Support Strategies for Increasing Trade under AGOA*

- *Improving the Efficiency and Reducing the Cost of Trade Related Transportation*

A goal common to all three components, is strengthening the capacity of public and private sector entities through targeted training and promoting public-private sector dialogue to facilitate positive policy changes.

II. Proposal Activity

A. Proposals Won

- East and Central Africa Global Competitiveness Hub, TO#819
- Eritrea Economic Growth, Food Security and Enterprise Development Assessment, TO#818

B. Proposals Lost

- Bosnia and Herzegovina Financial Sector Business Advocacy Project
- Doha Project for WTO Accession and Participation
- Study on Trade Development in Mali
- West Africa Competitiveness Hub

C. Proposals Not Submitted

None

III. Contract Quarterly Financial Report

This information is included in Annex A of the report.

IV. Technical Reports and Deliverables

- Eritrea Economic Growth, Food Security and Enterprise Development Assessment, TO#818, Final Report.

ANNEX A

General Business, Trade & Investment IQC Quarterly Financial Report

TASK ORDER NUMBER/NAME	AUTHORIZED EXPENDITURES (OBLIGATED)	ACTUAL EXPENDITURES THROUGH 9/30/02	BALANCE	ESTIMATED COMPLETION DATE	ACTUAL COMPLETION DATE	BALANCE IN DAYS (LOE)
TO #804 Egypt Presidents' Council	\$952,436.00	\$757,776.00	\$194,660.00	12/31/02	N/A	268
TO #03 Macedonian Business Resource Center	\$1,905,944.00	\$1,531,959.00	\$373,985.00	12/31/02	12/31/02	-60
TO #809 Activity Management Services in Agadir	\$1,656,868.00	\$1,491,941.00	\$164,927.00	7/14/02	12/30/02	114
TO #811 Ukraine Land Systems Initiative	\$10,838,975.00	\$3,836,867.83	\$7,002,107.17	9/30/03	N/A	12998
TO #810 Guinea Revalidation of Mission's 7 year Strategic Plan	\$189,553.00	\$188,116.55	\$1,436.45.00	10/31/01	N/A	0
TO #813 Tanzania Tax and Mining Policy	\$1,629,987.00	\$755,207.00	\$874,780.00	7/09/03	N/A	588.7
TO #815 Moldova Financial Management Training and Advisory Activity (FMTAA)	\$2,212,579.00	\$ 793,629.76	\$ 1,418,949.30	08/12/03	N/A	1,821
TO #1 Office of Emerging Markets	\$50,000.00	\$0	\$50,000.00		9/30/99	N/A

TO #800 Guinea Ag Loan Guarantee	\$49,684.00	\$49,705.50	-\$21.50		7/30/99	N/A
TO #801 Guinea Ag II	\$77,336.87	\$74,427.12	\$2,909.75		9/17/99	N/A
TO#802 Ukraine Business Incubator	\$75,628.00	\$72,543.37	\$3,084.63		11/17/99	N/A
TO#806 Ukraine Alternative Fuels	\$65,290.00	\$62,054.78	\$3,235.22		4/30/00	N/A
TO#805 Nigeria Macroeconomic Policy	\$1,995,020.00	\$1,945,870.95	\$49,149.05		11/9/01	N/A
TO#812 Malawi Garment & Textile	\$63,246.00	\$59,739.62	\$3,506.38		9/30/01	N/A
TO#02 Global Technology Network	\$1,996,114.02	\$1,939,435.97	\$56,678.05		9/4/01	N/A
TO#817 Bangladesh Competitiveness Study	\$218,205.00	\$172,500.04	\$45,704.96		12/27/01	N/A
TO#04 Competitiveness Study	\$40,000	\$36,654.10	\$3,345.90		12/14/01	N/A

Task Order Number/Name	Authorized Expenditures	Actual Expenditures	Balance	Estimated Completion Date	Actual Completion Date	Balance In Days
TO #814 Technical Support for Procurement and Project Management and Private Sector Participation in Jordan	\$ 1,530,072.50	\$730,479.86	\$799,592.64	8/31/03	N/A	425
TO #816 Romania Environmental Management and Pollution Prevention Project	\$1,030,522.00	\$576,274.00	\$454,248.00	07/31/03	N/A	1,008
TO #818 Eritrea Economic Growth and Food Security Sector Assessment	\$198,584.00	\$59,504.99	\$139,079.01	N/A	N/A	0
TO #819 East and Central Africa Global Competitiveness Hub	\$1,499,933.00	\$4,500.00	\$1,495,433.00	9/16/03	N/A	150